

GCHP MLK LEVERAGE LENDER, L.L.C.**Program-Specific Audit Report****December 31, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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GCHP MLK Leverage Lender L.L.C.

Program-Specific Audit Report

December 31, 2012

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**UNMODIFIED OPINION ON THE FINANCIAL STATEMENT OF A FEDERAL
PROGRAM WHEN USING THE PROGRAM-SPECIFIC AUDIT OPTION
TO SATISFY OMB CIRCULAR A-133 REQUIREMENTS**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers
GCHP MLK Leverage Lender L L C

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii of GCHP MLK Leverage Lender L L C for the year ended December 31, 2012

Management's Responsibility

Management is responsible for the preparation and fair presentation of the financial statement of the program in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement of the program based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii in accordance with accounting principles generally accepted in the United States of America.

Postlethwaite & Metairie

Metairie, Louisiana

June 25, 2013

**REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE WHEN USING THE PROGRAM-SPECIFIC AUDIT
OPTION TO SATISFY OMB CIRCULAR A-133 REQUIREMENTS**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Officers
GCHP MLK Leverage Lender L L C

Report on Compliance for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

We have audited GCHP MLK Leverage Lender L L C's (the Entity) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (the Program) for the year ended December 31, 2012.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Entity's Program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Program occurred. An audit includes examining, on a test basis, evidence about the Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for GCHP MLK Leverage Lender L L C's Program. However, our audit does not provide a legal determination of the Entity's compliance.

Opinion

In our opinion, GCHP MLK Leverage Lender L L C complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of GCHP MLK Leverage Lender L.L.C. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Entity's internal control over compliance with the types of requirements that could have a direct and material effect on its Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Metairie, Louisiana
June 25, 2013

GCHP MLK Leverage Lender L.L.C

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures	Loan Balance
U S Department of Housing and Urban Development				
Pass-through program from New Orleans Redevelopment Authority Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14 228	ILOC-00019	1,420,231	1,900,000
Total			\$ 1,420,231	\$1,900,000

See accompanying notes to the schedule of expenditures of federal awards

GCHP MLK Leverage Lender, L.L.C.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2012

1 General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of GCHP MLK Leverage Lender L L C (the Entity) All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies

2 Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting

3 Notes Payable to Federal Agencies

The Entity received funding under the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii by entering into a promissory note with the New Orleans Redevelopment Authority for \$2,000,000 dated March 31, 2011 The note has an interest rate of 5% per annum until approximately April 2019 (Option Date) when the rate is based on the Prime Rate plus 1% Interest is payable in arrears in the month preceding the Option Date and monthly thereafter The outstanding principal as of the Option Date shall be amortized over the remaining term of the loan and is payable in arrears in equal monthly installments Principal and interest shall be payable out of Monthly Cash Flow as evidenced by documentation that is satisfactory to lender Outstanding principal and interest is due at maturity on March 31, 2041 The note is collateralized by substantially all of the assets of the entity and by the entity's security interest in the membership interest of the Community Development Entity that has developed the property located at 1409 Oretha Castle Haley Boulevard, New Orleans, Louisiana

GCHP MLK Leverage Lender, L.L.C.

Schedule of Findings and Questioned Costs

Year ended December 31, 2012

(1) Summary of Auditors' Results

Federal Awards

Internal controls over major programs

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major program unqualified opinion

Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133? none

Major program

Passed through from New Orleans Redevelopment Authority
Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii 14 228

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133 no

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: none

(3) Findings and Questioned Costs relating to Federal Awards: none